

Message from the Chairman

On behalf of the Missouri Gaming Commission, it is my pleasure to present the annual report for FY 2002. This report is submitted to comply with Section 313.837, RSMo.

The annual report contains an account of the Commission's activities over the past year, including a summary of the status of each licensed gaming facility; a report of gaming tax and admission fee collections; an analysis of the gaming markets in Missouri; a summary of the responsibilities and activities of each section of the Commission's staff; a report on the status of the gaming industry affirmative action programs; and an update on the Commission's programs for problem gamblers and their families.

The annual report also contains a section fulfilling the Commission's statutory mandate to report to you on the effect of the loss limit on the competitiveness of Missouri riverboat casinos versus gaming facilities in neighboring jurisdictions. Once again, you will notice that the data clearly shows the loss limit renders Missouri riverboat casinos less competitive versus its competitors in Illinois, Iowa and Mississippi. Indian casinos do not release the results of their operations. Thus, we are not able to provide an analysis of the competitive environment versus the Indian casinos in Kansas. However, the consistency of the data in other states suggests that these casinos, operating without a loss limit, also enjoy a competitive advantage over casinos in Kansas City and St. Joseph.

In the past eight years of complying with this statutory mandate there has been little change in the data. It is now clear and to our knowledge, undisputed, that the loss limit results in a competitive disadvantage for Missouri casinos.¹ Thus, in order to avoid unnecessary attention to an undisputed fact, we recommend you consider repealing this reporting requirement, which has now become an annual redundancy.

The gaming statutes also require the Commission to suggest changes in the adjusted gross receipts tax as provided in Section 313.822, RSMo. On pages 10-11, you will find a detailed analysis of Missouri's gaming tax rate as it compares to the gaming tax rates in other riverboat gambling states. In addition, the report provides the Commission's view of how tax rates effect the economics of gaming, the quality of the operations located in the state and the impact of gaming taxes on employees, home dock communities, patrons and state revenues.

Another of the Commission's statutory mandates is to provide recommendations for legislation the Commission deems advisable. While the report contains several recommended changes, there is one provision that demands your highest consideration. The Commission uses the Federal Bureau of Investigation (FBI) fingerprint database to run international criminal history checks on all license applicants. In 2001, the FBI informed the Commission that Missouri's gaming statute does not meet federal requirements. The necessary statutory changes are minor and technical in nature.²

The FBI is allowing the Commission to continue to access the database under a waiver provision until January 1, 2003. Unless the legislature enacts these changes, the FBI will no longer allow the Commission to access its database beginning next year. This would be a devastating blow to the regulatory and enforcement effort. Without the ability to access the database, the Commission will be unable to determine the suitability of applicants. Thus, unless this legislation is enacted, Missourians who wish to obtain employment in the gaming industry will be unable to do so after January 1, 2003.

Commission staff is working with legislators to ensure that legislation is pre-filed in December and will ask for consideration on the consent calendar. In addition, the Commission enforcement staff hopes to be able to negotiate a temporary solution to the licensing issue with the FBI. However, there is no guarantee of success in those negotiations, thus highlighting the importance of the General Assembly's expeditious consideration of this issue.

The Commission also recommends legislation be adopted requiring casinos to pay interest on delinquent admission fees. A recent decision by one of the Commission's hearing officers pointed out that the current gaming statute provides specific language allowing the Commission to impose interest on delinquent adjusted gross receipts



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¹ Missouri remains the only jurisdiction in the world with a loss limit.

² During the last legislative session, the Commission advocated the passage of Senate Bill 1220, which would have corrected this problem. Although it passed as a consent bill in the Senate, it was removed from the consent calendar before passing the House. It became a vehicle for a number of gaming issues and ultimately did not receive a final vote in the Senate.

taxes. However, the language is missing from the section imposing an admission fee. Thus, the Commission cannot assess interest against delinquent admission fees until the legislature grants it the authority to do so.

The Commission granted licenses for two new casinos in FY 2002. The Mark Twain Casino in LaGrange was licensed on July 25, 2002 and the Isle of Capri in Boonville received final approval on December 6, 2002. A diverse group of local public and private interests demonstrated substantial community support for these projects. In the case of the casino in LaGrange, the relicensing process revealed that it continues to enjoy widespread community support. The Boonville casino will be up for relicensure later this year. The early results for both of the new casinos are very positive. All of the other gaming facilities seem to be on a strong financial footing except for the President Casino, which has filed for Chapter 11 Bankruptcy protection.

The Commission said farewell to Chairman Glen Ullery in 2002. On behalf of the remaining Commissioners and the staff, I thank Chairman Ullery for his three years of dedicated service to the Commission.

We are fortunate to welcome a new member to the Commission. Former Kansas City Chief of Police Floyd Barch joined the Commission on July 11, 2002. The Commission is fortunate to have someone with Chief Barch's extensive background in law enforcement. His appointment fulfills the statutory requirement that the Commission reflect experience in law enforcement and civil and criminal investigations.

Since this will be my last involvement with the annual report process, I want to convey my appreciation to the Governor and the members of the General Assembly for their strong support of the Commission's regulatory efforts. Together we have established a national reputation for integrity and strict enforcement of the gaming laws of this state. While some may still disagree with the voters' decision to vote in favor of riverboat gambling, I believe everyone feels we have done a good job in regulating gambling in Missouri. We have used the regulatory process to select quality casino operators. When casino operators have strayed from our stringent standards, we have not hesitated to appropriately punish the wrongdoers and on several occasions, when it was deemed appropriate, to see to their removal and replacement by operators who are prepared to fully comply with Missouri's statutes and gaming regulations. I am also pleased to note all of the local communities that have gaming boats report a high degree of satisfaction with the local operators.

The Gaming Commission also takes pride in the fact that Missouri continues to be a national leader in identifying compulsive gamblers and then providing the help they need.

Also, I want to take this opportunity to express the pride the Commission has in the quality of the staff that is handling the regulation of the gaming business. It is a hard working and dedicated group. It is also my pleasure to report that despite the large sums of money involved in the operation and taxing of the gaming boats there has never been any hint of financial corruption on the part of any member of the staff or Commission.

It has been my privilege to serve with Tom Irwin, Mel Fisher and Kevin Mullally, who are the three men who have served as executive director of the Gaming Commission since its inception in 1994. All three of these men have provided outstanding leadership in the regulation and development of successful gaming in Missouri. Also, I feel we are fortunate to be able to look ahead to the future knowing we have the quality of leadership provided by our present executive director, Kevin Mullally.

I am sure the members of the Commission and the staff will continue to strive to improve the regulatory process. We have been fortunate in Missouri to have the full support of both the executive and legislative branches of government who have shown their willingness to allow the Commission the freedom and independence to do its job. I am confident this support and cooperation will continue in the future so Missouri will continue to derive the benefits from the jobs and extra tax funds that the gaming industry provides and still maintain the integrity of gaming the people of this state deserve.

In closing, it has been a privilege to serve on the Missouri Gaming Commission. First under Governor Carnahan, who originally appointed me, and then under Governor Holden who designated me as chairman. While hesitant to accept the appointment as a Commissioner, I have found the work both interesting and challenging.

It is now clear and to our knowledge, undisputed, that the loss limit results in a competitive disadvantage for Missouri casinos. Thus, in order to avoid unnecessary attention to an undisputed fact, we recommend that you consider repealing this reporting requirement, which has now become an annual redundancy.